

CITY OF SAN DIEGO
OFFICE OF THE INDEPENDENT BUDGET ANALYST

MONTHLY SNAPSHOT OF REPORTS AND ACTIVITIES FOR NOVEMBER 2012

Reports Highlighted for November 2012:

Report No. 12-48 (11/19/12)
Attachment 1 (11/19/12)
"Review of the Mayor's Five-Year Financial Outlook for FY 2014-2018"

Report No. 12-51REV (12/3/12)
"Street Preservation Ordinance & Damage Fees"

Highlights of Major Reports Issued in November

Report 12-48 "Review of the Mayor's Five-Year Financial Outlook for FY 2014-2018"

Mayor Sanders' Five-Year Financial Outlook for FY 2014-2018, released on October 24, 2012, projected surpluses in each of the five years ranging from \$4.9 million in FY 2014 to \$94.2 million in FY 2018. While our office agrees with the underlying assumptions in the Outlook's baseline projections, Report 12-48 presents a revised five-year outlook scenario that incorporates significant potential risks to the General Fund during the Outlook period.

The IBA Revised Outlook breaks down these potential risks into three categories:

1. *Non-discretionary expenditures* consist of potential redevelopment impacts, pension plan investment losses, and impacts of Proposition B and new GASB rules on the pension plan. These expenditures will have to be addressed if they do occur.
2. *Discretionary expenditures* consist of impacts related to increased funding for deferred capital projects, the Penny for the Arts Blueprint, and full funding of 35 member police recruit academies. These expenditures, although needed, remain discretionary based on availability of funds and a need for balancing competing priorities.
3. *Revenue fluctuations* based on more modest sales and property tax revenue projections as compared to what was included in Mayor Sanders' Outlook.

Each potential risk category was combined with the original Outlook to generate the IBA's Revised Outlook Scenario which reflects the potential for significant deficits in all five years, as shown below.

COMPARISON OF MAYOR'S OUTLOOK TO IBA REVISED OUTLOOK SCENARIO

\$ in millions	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Mayor's Five-Year Outlook "Baseline"	\$ 4.9	\$ 6.1	\$ 32.2	\$ 62.0	\$ 94.2
Sub-Total Non-Discretionary Adjustments	\$ (41.9)	\$ (43.7)	\$ (44.6)	\$ (44.8)	\$ (44.6)
Sub-Total Discretionary Adjustments	\$ (41.6)	\$ (37.2)	\$ (32.3)	\$ (34.1)	\$ (38.1)
Sub-Total Revenue Sensitivity Analysis	\$ (5.6)	\$ (19.2)	\$ (31.1)	\$ (44.6)	\$ (54.6)
Revised Outlook: "Baseline" + Non-Discretionary + Discretionary + Revenue Sensitivity	\$ (84.2)	\$ (94.0)	\$ (75.8)	\$ (61.5)	\$ (43.1)

This report's analysis provides further detail of each of these potential cost impacts, possible resources to mitigate these impacts, additional information regarding General Fund revenues, expenditures and reserves, and explanation of departmental additions and changes over the Outlook period.

Report 12-48 was presented at the November 26, 2012 City Council meeting in conjunction with the Mayor's Five-Year Financial Outlook.



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Report 12-51REV “Street Preservation Ordinance & Damage Fees”

In an effort to protect the City’s investment in its streets and recover costs associated with the maintenance of deteriorating streets which have been excavated, a Street Preservation Ordinance and Street Damage Fees were introduced to the City Council on December 4, 2012. The Street Preservation Ordinance is intended to increase coordination of planned projects in the public right-of-way and reduce excessive excavations and damage to City Streets. The purpose of the Street Damage Fee is to assist the City in recovering the cost of additional resurfacing and repairs needed to mitigate the impact of the excavation - costs that would otherwise fall to the General Fund. This additional maintenance is needed so streets will not continue to deteriorate, ultimately causing more expensive repairs in the long run. Given the City’s budgetary constraints and competing priorities, it is important to understand the impact on the General Fund of not fully recovering costs.

Three options regarding Street Damage Fees were proposed, and are explained in more detail in Report 12-51REV. A Full Cost Recovery Option would provide about \$4 million in both FY 2014 and FY 2015 to be set aside to fund future maintenance for affected streets. The Staff’s Proposed Graduated Fee Adjustment proposes to charge 25% of the full cost recovery fee in FY 2014, 50% in FY 2015, and go to full cost recovery in FY 2016. This results in a \$5 million fiscal impact to the General Fund for the maintenance of these excavated streets over the two-year period. This money could otherwise be used to resurface City streets rather than maintain excavated streets. In this report, our office proposes another graduated fee adjustment option which would assess 50% of the cost recoverable fee in FY 2014, and go to full cost recovery in FY 2015, resulting in approximately \$2 million in costs to the General Fund.

At the December 4, 2012 City Council meeting, Council voted unanimously to pass the Street Preservation Ordinance and Staff’s Proposed Graduated Fee Adjustment option. Staff was also instructed to update the engineering study that serves as the basis for the fee and adjust the fee, if needed, to ensure that Street Damage Fees will be fully cost recoverable in FY 2016.

Other Reports Issued in November 2012:

Report No. 12-46 (11/9/12)

“Environmental Service Department’s Five-Year Financial Outlook”

Report No. 12-47 (11/9/12)

“Property Value Protection Ordinance”

Report No. 12-49 (11/21/12)

“Declaration of the Dedication of Land Under Senate Bill 1169”

Report No. 12-50REV (11/26/12)

“Convention Center Phase III Expansion : Authorizing Short Term Financing & Modification to the Plan of Finance”

Report No. 12-52 (11/30/12)

“Fiscal Impact of Permits & Licensing Municipal Code Amendments”



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